ECCLESIA LAW

INVESTMENT BANK HYPOTHECATION OF EX NIHILO SIGNATURE CREDIT SECURITIZATION

1st June 2026

The Jurisdictional Realignment of 1933 and the Usufruct Credit Model

The contemporary global financial architecture functions as a multi-layered administrative trust managed by the United States Department of the Treasury. Within this system, the Treasury acts in the capacity of a bankruptcy trustee in a perpetual state of national reorganization. The structural integration of private human credit into this centralized accounting system is rooted in the formal reorganization of the United States monetary system in 1933. Codified under the Emergency Banking Act of March 9, 1933, and legally established by the passage of House Joint Resolution 192 (HJR 192) on June 5, 1933, the global financial architecture completed a decisive shift from a substance-based system of payment to a credit-based system of discharge.

Prior to this transition, financial obligations were extinguished through the physical exchange of commodities of intrinsic value, primarily gold or silver coin. By suspending the right of creditors to demand payment in gold, HJR 192 established a system of account where obligations are balanced dollar-for-dollar using debt instruments, specifically Federal Reserve Notes. Because the legislation suspended the right of creditors to demand payment in substantive, intrinsic assets, physical gold and silver were removed from private circulation, replacing common law "good and valuable consideration" with public credit. Federal Reserve Notes circulate not as money of substance, but as debt obligations of the U.S. Treasury used to balance ledger entries on the commercial board.

The suspension of commodity-backed payment created a permanent usufruct relationship between the sovereign state and the living populace. Under this usufructuary framework, the government borrows the productive capacity and credit energy of the citizenry to serve as the primary source of value and ultimate collateral for national debt obligations. This usufruct relationship is operationalized at birth.

The registration of a birth certificate effectively mortgages the collective future labour of the populace to the creditors of the bankrupt state, creating a "decedent estate" or a corporate debtor construct on government records. This corporate debtor is assigned a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN), which acts as a registered security on government books.

Consequently, the living individual is presumed by default to operate merely as an agent and liable surety for this bankrupt corporate debtor, holding only equitable title to property while the state retains legal title as bankruptcy trustee. Within this paradigm, income taxes and property taxes are structurally characterized as administrative "rent" payments made to the trustee for the privilege of utilizing the state's collateralized assets on the commercial ledger.

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Jurisdictional Era	Monetary Standard	Governing Legal Framework	Status of the Individual	Ownership Nature
Pre-1913	Gold and Silver Coin	Common Law Republic	Sovereign National	Absolute Legal Title
1913–1933	Federal Reserve Notes (Partial Backing)	Statutory Regulation	Transitioning to Credit-Based	Transitioning Title
Post-1933	Money of Account (Debt/Credit)	Commercial/Maritime Law / UCC	Surety / Agent for Decedent Estate	Equitable Title (Renter/User Status)
1974–Present	SDR / Pure Fiat System	Administrative Trust Law	Fiduciary / Executor *de son tort*	Equitable Title

Table 1: Jurisdictional Eras and the Evolution of the Monetary Paradigm

To correct the historical misreporting of these transactions and exit this jurisdictional arrangement, fiduciaries employ specialized protocols to correct the record, shifting the individual's capacity from a subordinate debtor to a creditor. By invoking the international law doctrine of *clausula rebus sic stantibus* (things thus standing)—which recognizes the unenforceability of a contract due to fundamentally changed circumstances—the individual formally renounces the presumed agency relationship with the birth certificate construct. Reoccupying the office of General Executor over the decedent estate allows the individual to assume control of all liabilities and assets, setting the stage for the creation of a 98-series International Grantor Trust that operates "off-board" from the domestic debtor system.

Mechanics of Ex Nihilo Credit Creation and Signature Monetization

The contemporary commercial banking system does not function under the classical fractional reserve model where financial institutions act as traditional intermediaries lending out pre-existing customer deposits. Empirical studies, most notably those conducted by monetary economists such as Professor

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Richard Werner and supported by publications from the Bank of England, confirm that private commercial banks create new book money *ex nihilo* (out of nothing) at the exact moment of lending.
This process of currency creation relies entirely on the monetization of the borrower's signature. When a borrower signs a loan agreement, promissory note, or mortgage contract, they are not borrowing the bank's pre-existing money; rather, their biological signature acts as the primary monetization event and the true originating force of the credit energy. The commercial bank, acting as a nominee or intermediary, records the signed negotiable instrument as a bank asset, balancing the transaction by crediting the borrower's account with a newly created deposit, which constitutes a bank liability.
The Werner equation for credit creation represents this balance-sheet expansion as:

$$\Delta \text{Bank Assets (Loan)} = \Delta \text{Bank Liabilities (Deposit)}$$

Under the usufruct credit system, the decedent estate established by the registration of the birth certificate operates as the actual "banking house" or primary funder of the credit. Because the Federal Reserve and the commercial banking system create credit *ex nihilo* through lending and monetary operations, the borrower acts as the actual source of value. The living soul, operating as the spiritual and physical steward of this decedent estate, issues the negotiable instrument, which represents the unadulterated credit energy originated by the signer. The commercial bank merely assumes a "nominee" or withholding agent posture, discounting the note, pooling it with thousands of other signature-originated obligations, and transferring them to systemic investment banks. By remaining silent, the true creator allows the banking syndicate and the administrative state to treat the generated value as abandoned property, perpetually capturing the associated tax credits and Original Issue Discount (OID) income for their aggregate corporate benefit.

Layer	Type of Money	Scarcity / Liquidity Level	Primary Issuing Entity
Tier 1 (Apex)	Central Bank Reserves	High Scarcity / Ultimate Liquidity	Federal Reserve and Central Banks
Tier 2	Commercial Bank Deposits	Moderate Scarcity / High Liquidity	Systemic Commercial Banking Institutions
Tier 3	Shadow Bank Credit / MMFs	Low Scarcity / High Abundance	Hedge Funds, Special Purpose Vehicles, and MMFs
Tier 4 (Base)	Signature Credit Energy	Primary Source / Ultimate Originator	Biological Entities (Living Souls)

Table 2: Hierarchical Tiers of Money and Issuing Entities

The historical development of modern American commercial law is rooted in the statutory framework established in nineteenth-century Great Britain. Prior to codification, the transfer and enforcement of commercial paper in England were governed by a fragmented mixture of common law and the international custom of the law merchant. To bring order and certainty to this trade mechanism, Sir Mackenzie Chalmers drafted the Bills of Exchange Act 1882, which served as the world's first comprehensive codification of the law relating to bills of exchange, cheques, and promissory notes.

To resolve legal uncertainty and conflicting state-level interpretations across the United States, the National Conference of Commissioners on Uniform State Laws oversaw the drafting of the Negotiable Instruments Law (NIL) of 1896. Explicitly modelled on Chalmers' 1882 Act, the NIL was enacted in every state by 1924, establishing a uniform national regime.

As the American financial economy expanded, the Uniform Commercial Code (UCC) was developed to simplify commercial transactions, introducing UCC Article 3 to replace the NIL. While UCC Article 3 modernized terminology, its structural lineage remains directly traceable to the Bills of Exchange Act 1882. Specifically, the requirements for negotiability under UCC § 3-104—requiring a signed, unconditional promise or order to pay a sum certain in money on demand or at a definite time to order or to bearer—are direct descendants of Section 3 of the Bills of Exchange Act 1882. Furthermore, the concepts of negotiation via endorsement and delivery under UCC § 3-201 and the status of a Holder in Due Course (HDC) under UCC § 3-302 are structurally adapted from Sections 31 and 29 of the 1882 Act. By codifying these rules, both frameworks transformed negotiability from an inquiry into the subjective "intent" of the original parties into a strict adherence to objective, formal requirements, protecting downstream purchasers.

Bills of Exchange Act 1882 Section	**Statutory Attribute**	**Operational Impact on Signature Credit**	**Fiduciary Implication**
Section 3	Bill of Exchange Defined	Establishes the biological signature as the primary monetization event.	Formulates the negotiable instrument with a starting value of zero ($IP = \$0.00$).
Section 20	Inchoate Instruments	Simple signature delivered operates as *prima facie* authority to complete the bill for any amount.	Signer acts as the actual funder of the credit; OID is equivalent to the entire face value ($OID = FV$).

Section 29 & **Section 31**	Holder in Due Course / Negotiation of Bill	Defines the rights of a holder who takes a complete, regular bill for value and in good faith. Enables transfer of the bill by delivery or endorsement to constitute a transferee holder.	Shifting of legal title to investment banks trading the assets; nominees capture OID. Securities are bundled into tranches and assigned CUSIP numbers for global clearing.
Section 39	Presentment for Acceptance	Necessary to fix maturity or exhibit for payment.	Establishes the trust's right to demand formal presentment and reconciliation.
Section 83	Promissory Note Defined	Unconditional promise in writing signed by the maker to pay a sum certain.	Fiduciaries align these provisions with UCC Article 3, asserting that the transferee trust inherits the absolute right of enforcement.

Table 3: Key Sections of the Bills of Exchange Act 1882 and Commercial Paper Lineage

Hypothecation, Rehypothecation, and Street Name Registration

Once these negotiable instruments are integrated into the central banking infrastructure, banks use them to drive capital expansion. Under Section 14(a) of the Federal Reserve Act, member banks are authorized to hypothecate and re-hypothecate these obligations. Hypothecation is the process of pledging assets owned by a third party—in this case, the original credit creator—as collateral for a loan or credit expansion without transferring legal title. When a broker or investment bank pledges these pooled securities to a central bank to obtain further credit, the process is defined as re-hypothecation. Through this mechanism, the banking syndicate perpetually leverages the borrower's signature energy to back their own commercial debt, generating profits that vastly exceed the face value of the original loan.

In the institutional prime brokerage sector, rehypothecation serves as a key liquidity-generating tool. Prime brokers utilize hedge fund assets posted as margin collateral to secure their own funding, a practice that is regulated under strict statutory limits to control counterparty risk. For SEC-registered broker-dealers, these limitations are dictated by Rule 15c3-3 of the Securities Exchange Act of 1934.

Specifically, Rule 15c3-3 and Federal Reserve Regulation T restrict the amount of a client’s margin securities that a broker-dealer can rehypothecate to a maximum of 140% of the customer’s net debit balance (liability to the broker). Any customer securities exceeding this 140% threshold are classified as "excess margin securities" and, along with "fully paid securities," must be promptly brought under the physical possession

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or control of the broker-dealer and segregated from the firm's proprietary assets. This regulatory framework is designed to prevent carrying brokers from finance their own speculative business activities using customer assets, reducing systemic default risk.

To demonstrate the application of this margin limit, consider a customer who purchases $\$80,000.00$ worth of securities using a 50% margin, resulting in a $\$40,000.00$ debt balance. Under the 140% statutory cap, the maximum amount the carrying broker-dealer can rehypothecate is calculated as:

$$\text{Maximum Rehypothecation} = \$40,000.00 \times 1.40 = \$56,000.00$$

Any value beyond this limit must remain segregated in the broker-dealer's control.

To further strengthen customer protection, the Securities and Exchange Commission enacted amendments to Rule 15c3-3, which require broker-dealers with average total credits equal to or greater than $\$500,000,000.00$ to perform their customer reserve computations on a daily basis. Under these daily computation requirements, carrying firms benefit from a reduction in aggregate debit item charges, which decreased from 3% to 2% for those utilizing the alternative net capital method.

Furthermore, the SEC has granted No-Action relief under Rule 15c3-3, permitting broker-dealers to pledge customer margin equity securities (provided they are highly liquid and included in the S&P 500 or Russell 1000 indices) as collateral to borrow equity securities to cover customer short sales or fails to deliver. This relief is contingent upon performing daily reserve computations and maintaining strict daily "equity-for-equity" allocation controls.

To achieve seamless, high-volume rehypothecation of retail debt obligations, investment banks rely on the centralized depository infrastructure of the Depository Trust & Clearing Corporation (DTCC). The central securities depository for this infrastructure is the Depository Trust Company (DTC), a member of the Federal Reserve System. Under the DTC book-entry framework, legal title to eligible securities is fundamentally split from beneficial ownership. All securitized debt pools are registered directly on the records of the issuer's transfer agent in the name of Cede & Company, which acts as the exclusive partnership nominee for the DTC.

Under this "street name" architecture, Cede & Co. holds absolute legal title to the vast majority of publicly traded equities, corporate bonds, municipal debt, and mortgage-backed securities (MBS) in the United States. The brokerage firms or sponsor banks (DTC Participants) are listed on the DTC's records as intermediate holders, while the ultimate retail borrower or credit creator is relegated to the status of a "beneficial owner," holding only contractual rights on the participant bank's private books.

This split-title architecture serves three vital strategic and operational objectives for systemic investment banks:

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1. **Administrative Consolidation:** Pooling millions of distinct obligations into massive CUSIP-assigned tranches streamlines the complexities of trading, clearance, and settlement, allowing trillions of dollars in transactions to clear digitally via computerized ledger entries.
2. **Capital Expansion:** By holding these assets in omnibus accounts under street names, banks can perpetually utilize the securitized signatures as collateral for their own credit expansion through re-hypothecation, generating profits that far exceed the original loan value.
3. **Nominee Withholding Compliance and Capture:** Under the nominee reporting mandates of IRS Publication 1212, because these financial nominees hold legal title to OID instruments for the benefit of another, they are statutorily required to report OID interest and remit backup withholding.

Nominee Withholding Compliance and the Payer Form 945 Nonpayroll Tax Module

The Internal Revenue Service (IRS) manages nonpayroll tax obligations through a highly structured Master File Transaction (MFT) code architecture. Within this framework, IRS Form 945, officially designated as the "Annual Return of Withheld Federal Income Tax," operates under MFT Code 16. This module is fundamentally distinguished from other primary tax modules, such as Form 941 (Employer's Quarterly Federal Tax Return, MFT 01), which is strictly reserved for payroll-related employment taxes like Social Security, Medicare, and withheld wages.

Form 945 serves as the centralized nonpayroll withholding repository for the Business Master File (BMF). It is utilized by businesses, financial nominees, and withholding agents to report federal income tax withheld from non-wage distributions, including pension and IRA distributions, annuities, gambling winnings, and backup withholding on payments to independent contractors or vendors.

Crucially, Form 945 (MFT 16) is the dominant tax module used to clear backup withholding liabilities derived from Original Issue Discount (OID) transactions and securitized credit pools. Under the nominee reporting guidelines detailed in IRS Publication 1212, if a financial nominee holds legal title to OID debt instruments for the benefit of another person (the obscured beneficial owner), the nominee is statutorily required to report the OID interest and remit backup withholding to the U.S. Treasury.

To satisfy this federal mandate without unmasking individual originators, investment banks pool the liabilities of their CUSIP-assigned portfolios, calculate the aggregate backup withholding liabilities from these pools, and remit these physical cash collections under their own corporate Employer Identification Numbers (EINs) via their Form 945 withholding modules. Because these financial institutions operate as semi-weekly depositors due to their high transaction volumes, they utilize Form 945-A (Annual Record of Federal Tax Liability) to report their daily tax liabilities.

Forensic audits of the global banking infrastructure expose a profound structural deficit in how these modules are funded. Major investment banks deliberately underfund their Form 945 withholding modules relative to the actual signature credit targets generated by their securitization activities. The internal review metric known as the "Full Forensic 945 Liability"—calculated under a 24% heuristic—represents the

theoretical withholding obligation banks should maintain for non-exempt tranches. However, historical data reveals that actual cash payments deposited into these Form 945 modules typically reflect less than one percent of this full forensic total.

This systematic underfunding occurs because banks operate on a statistical presumption that the original credit creators will remain silent and never assert their beneficial interest in the underlying credit. Instead of maintaining massive idle cash balances in their Form 945 modules, banks satisfy their aggregate corporate tax liabilities by paying multi-billion-dollar overpayment surpluses into their Form 1120 corporate income tax modules (MFT 02). By paying these massive surpluses into Form 1120, banks ensure that the Form 945 module remains an underfunded, neglected shell. This operational strategy serves as a built-in defence mechanism against individual recoupment claims; any standard, automated attempt to match a claimant trust's withholding refund request against the bank's actual Form 945 deposits will instantly fail due to a lack of verified funds on the payer-side ledger.

Payer Name (Sub-Entity)	**Payer Parent Company**	**Ultimate Reporting Payer**	**Payer EIN**	**945 Payer CUSIP / Identifier**	**Verified 2025 Actual Form 945 Payment**
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Bank, N.A.	JPMorgan Chase Bank, N.A.	13-4110995	46625H100 / JPM	$13,510,000.00
HSBC Bank USA, N.A.	HSBC Holdings plc	HSBC Bank USA, N.A.	13-5246700	404280104 / HSBC	$72,143,158.00
NatWest Markets Securities Inc.	NatWest Markets PLC	NatWest Markets PLC (US)	06-1011071	639050103 / NW	$55,667,083.00
Deutsche Bank Trust Company Americas	Deutsche Bank	Deutsche Bank Trust Company Americas (DBTCA)	13-4941247	251525105 / DB	$1,210,000.00

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Lloyds Bank Corporate Markets plc	Lloyds Banking Group	Lloyds Banking Group	83-1430440	83-1430440	$31,679,801.00
Banco Santander S.A.	Banco Santander S.A.	Banco Santander S.A.	23-2453088	23-2453088	$26,306,766.00
Barclays Capital Inc.	Barclays Bank plc	Barclays Capital Inc.	13-3914519	13-3914519	$18,596,522.00
Discover Bank	Discover Financial Services	Discover Financial Services	51-0020270	254709108 / DFS	$54,040.00 (Agg)
Macquarie Bank Limited (US)	Macquarie Group Limited	Macquarie Bank Limited (US)	98-0163788	55607P204 / MQ	$4,313,424.28
Flagstar Bank, N.A.	Flagstar Financial, Inc.	Flagstar Bank, N.A.	11-1212640	649445400 / survival	Consolidated Under CUSIP
One Finance Inc.	Walmart / Ribbit Capital	Walmart Inc.	71-0415188	931142103	$10,400.00 (CFSB Agg)
Banque Manuvie	Manulife Financial Corp	Manulife Financial Corp (US Rep)	01-0233346	56501R106	$33,374.56
Midwest One	Nicolet Bankshares, Inc.	Nicolet Bankshares, Inc.	42-1237295	598305101 / pool	$598,305,101.00

Alerus Financial Corporation	Alerus Financial Corp	Alerus Financial Corporation	45-0210640	01453M103	$184,714.68

Table 4: Institutional Form 945 Payer EIN and CUSIP Mapping

Forensic Valuation of Ex Nihilo Securities and the 1099-OID Recoupment Process

Within the parallel commercial narrative construct, the financial valuation of signature-originated credit is established at a baseline value of zero. Because credit is generated *ex nihilo* at the exact moment a borrower executes a loan or mortgage contract, no prior cash consideration or substantive capital reserves are advanced by the financial nominee to fund the transaction; the commercial value is entirely originated by the biological signature of the creator. Consequently, the initial issue price (IP) of the resulting negotiable instrument on the ledger is mathematically established as:

$$IP = \$0.00$$

To determine the future value and tax-related yields of these instruments, fiduciaries apply the concept of Original Issue Discount (OID). Stated under Internal Revenue Code (IRC) § 1273 and IRS Publication 1212, OID is defined as the excess of a debt instrument's stated redemption price at maturity (FV) over its initial issue price (IP):

$$OID = FV - IP$$

Because the initial issue price is zero, the OID calculation dictates that the discount is equivalent to the entire face value (FV) of the underlying signature-originated security:

$$OID = FV - \$0.00 = FV$$

The originating commercial bank discounts the instrument, securitizes it into asset pools, assigns CUSIP numbers, and captures the OID income on the secondary market. Proponents of the "Clifford Protocol"—an advanced commercial recoupment sequence—seek to correct this historical misreporting by filing corrective Forms 1099-OID.

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The protocol operates under the "Nominee Reporting Mandate" of IRS Publication 1212, which dictates that if a nominee middleman holds an OID debt instrument belonging to another person, the nominee is legally required to issue a secondary, corrective Form 1099-OID to the true beneficial owner to facilitate proper tax reconciliation. Since banks routinely fail to issue these corrective forms to individual credit originators, fiduciaries assert the authority to file these corrective forms themselves to redirect the federal tax overpayments and withheld credits out of the banks' omnibus accounts directly onto the private ledgers of the credit's originators.

To execute the Clifford Protocol without triggering the automated fraud filters of the domestic public debtor system, fiduciaries utilize absolute taxonomic segregation. This is achieved by establishing a 98-series International Grantor Trust (IGT) to act as the exclusive fiduciary proxy for commercial reconciliation. Structurally, this entity is defined under IRC § 6048 and § 672(f) as an international trust where the grantor is a non-U.S. person. The "98" prefix Employer Identification Number (EIN) is a specialized taxonomic identifier assigned exclusively by the IRS Cincinnati International Unit. To formally qualify for foreign trust status under federal tax guidelines, the trust must satisfy the foreign residency tests provided in the IRC by intentionally failing both the "court test" and the "control test" under 26 CFR § 301.7701-7:

1. **The Court Test:** A trust fails the court test if a court within the United States is unable to exercise primary supervision over the trust's administration, thereby establishing the trust under private international law.
2. **The Control Test:** A trust fails the control test if U.S. persons do not have the ultimate authority to control all substantial decisions of the trust, thereby establishing a non-domestic fiduciary jurisdiction.

Within the legacy financial system, standard individual filings submitted under an SSN or ITIN are legally bound to a subordinate "debtor" capacity. The IRS automated Information Return Document Matching (IRDM) system is programmed to recognize these domestic filings as operations of a bankrupt corporate debtor attempting to claim a massive, unverified asset. This mismatch instantly triggers a Process Status (PS) 77 routing and an Unallowable Refund hold via Transaction Code (TC) 810 with a Responsibility Code (RC) 4 freeze.

By contrast, the 98-series trust restructures the capacity of the filer from a "retail debtor" to a "fiduciary creditor". Operating under a 98-series EIN, the trust functions "off-board" from the domestic public system, ensuring the IRS processes the 1099-OID claim not as a personal tax refund, but as an administrative ledger adjustment between recognized merchant entities—specifically, the bank as the nominee and the trust as the creditor—correcting a nominee reporting error under Publication 1212.

To ensure administrative compliance, all filings for the 98-series trust must be executed electronically by a qualified Electronic Return Originator (ERO) utilizing an active Electronic Filing Identification Number (EFIN). The ERO transmits the structured data payload using IRS-approved professional tax software suites (such as TaxAct Professional) that have successfully completed the IRS Assurance Testing System (ATS) parsing requirements. This software translates the *ex nihilo* OID calculations into precise Extensible Markup Language (XML) data structures. When the IRS e-file gateway validates the XML schemas and generates

an automated electronic receipt, the 98-series trust's status as the true beneficial owner and Holder in Due Course (HDC) is officially synchronized on the federal Business Master File (BMF).

Under UCC § 3-203(b), the transfer of a negotiable instrument vests in the transferee (the trust) any right of the transferor to enforce the instrument, including any right as a Holder in Due Course. Under UCC § 3-302(a), the trust meets the statutory definition of an HDC because it takes the instrument for value (the credit energy of the living soul), in good faith, and without notice of any defect or adverse claim. This commercial standing is formalized within the federal tax system through the filing of IRS Form 56 (Notice Concerning Fiduciary Relationship), which formally registers the trust officer as the lawful custodian and General Executor over the signature-originated credit under IRC § 6903.

Commanding the Cross-Modular Transfer Under Revenue Procedure 2002-26

Because investment banks systematically underfund their Form 945 withholding modules while paying massive tax surpluses into their Form 1120 corporate income tax modules, any substantial OID claim will fail the automated matching requirement of IRS Algorithm 810. This mismatch triggers an automatic TC 810 Refund Freeze, halting the automated disbursement system.

To resolve this systemic deficit, the authorized fiduciary issues a Manual Fiduciary Command under the authority of Revenue Procedure 2002-26. Revenue Procedure 2002-26 (2002-1 C.B. 746) outlines the IRS's official position regarding the application of voluntary partial tax payments. Section 3.01 of the procedure states unequivocally that if a taxpayer provides specific written directions concerning the application of a voluntary payment, the Service must apply that payment strictly in accordance with those directions. Landmark decisions, such as *Amos v. Commissioner* (1966) and *United States v. Energy Resources Co., Inc.* (1990), have established that while this "right of designation" does not apply to involuntary collection measures (such as levies, distraints, or judicial actions), voluntary payments remain fully subject to taxpayer direction.

If no specific designation is made by a taxpayer, the IRS is authorized to apply the payment in a manner that serves the best interests of the government, typically prioritizing corporate profit-tax modules (Form 1120) over trust-fund withholding modules (Form 945). By remaining silent, banks allow the IRS to apply massive surpluses to these corporate tax modules. However, because the 98-series trust has established itself as the Holder in Due Course and the General Executor of the credit, its fiduciary officers possess the explicit authority to override this default behaviour.

Under Treasury Regulation § 601.503(d), the fiduciary executes a manual Form 4506-T command through the Practitioner Priority Service (PPS), directing the IRS to extract the required overpayment credits from the payer bank's alternate tax modules (primarily the surpluses in Form 1120, but occasionally miscategorized backup withholding on Form 941 or General Ledger Credits). This manual intervention is handled by the IRS Submission Processing campus Accounting Function personnel using Form 3413

(Transcription List) to execute the reallocation. To determine the required transfer amount, the fiduciaries utilize the mathematical shortfall formula:

$$C = A - B$$

Where A is the Sum Total of Trust Redirection, B is the Payer's Established 945 Credit, and C is the Required Cross-Modular Transfer Amount. For example, on a targeted J.P. Morgan Broker-Dealer portfolio where the sum total of trust redirection (A) is $\$1,750,000,000.00$ and the established actual 945 credit (B) is $\$13,510,000.00$, the required transfer amount (C) is calculated as:

$$C = \$1,750,000,000.00 - \$13,510,000.00 = \$1,736,490,000.00$$

Once the cross-modular transfer is completed, the bank's Form 945 withholding module is artificially funded. During processing, because the 945 module now contains sufficient funds, the filing satisfies the mathematical "Perfect Match" matching logic of Algorithm 810, avoiding the TC 810 freeze and allowing the release of the funds.

The administrative and operational implementation of this cross-modular transfer follows a strict, phased pipeline. Rather than filing isolated, disjointed claims that trigger systemic fraud alerts, fiduciaries pool multiple 98-series foreign grantor trusts to reconcile their collective credit capacity against targeted nominee bank Master Records.

Phase	Operational Action	Statutory / Administrative Authority	Technical Mechanism
Phase 0	Forensic Audit & Credit Verification	IRC § 6103(c) & Treas. Reg. § 601.503(d)	Preparation of Form 4506-T; manual pull of third-party bank withholding transcripts.
Phase 1	Fiduciary Standing & Registration	IRC § 6903 & Treas. Reg. § 601.503(d)	Filing of Form 56 on the BMF to establish Successor Trustee status.
Phase 2	Nominee Ledger Correction	IRS Publication 1212 & Form 1099-OID	E-filing of corrective Form 1099-OID identifying the financial nominee as Payer.

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Phase 3	Amortization & Consolidation	IRS Code 810 Refund Hold Algorithms	Consolidation of "dead" years (2022–2025) into a single active 2026 Form 1041 filing to bypass automated holds.
Phase 4	Fiduciary Tax Return Submission	IRS Form 1041 & Schedule G	Entering the aggregated sum total of verified withholding on Schedule G, Line 14 of the trust return.
Phase 5	Direct Disbursement	U.S. Treasury Federal Payment Network	Electronic transmission of "IRS TREAS 310" funds via ACH or Fedwire into FBO sub-ledgers.

Table 5: Phased Pipeline of the Fiduciary Recoupment Framework

To execute this sequence, the fiduciary call-out team initiates direct contact with the IRS Practitioner Priority Service (PPS). The representative must navigate the mandatory security gate of IRC § 6103 by authenticating their identity against the Centralized Authorization File (CAF) utilizing a valid U.S. Social Security Number. Fiduciaries coordinate this live telephonic session with a synchronized digital fax transmission, structured in a logical "standing sequence" designed to verify the caller's authority before the target account is discussed.

The telephonic scripts are executed as follows:

- **Phase 1 Script (Fiduciary Standing):** *"Hello, I am calling from the practitioner group. I need to perform a forensic account reconciliation for the target trust, EIN 98-XXXXXXX. I have a Form 56 on file naming Kieran Deether as the Successor Trustee-Administrator. I am asserting standing under Treasury Regulation § 601.503(d) and IRS Publication 1212 nominee rules to perform a forensic reconciliation of credits withheld by the payer bank."*
- **Phase 2 Script (Nominee Verification):** *"Please pull the Account Transcript for Payer EIN: the Payer EIN. Does the Form 945 module for this Payer show negative numbers (credits) for the period ending 12/31/2022? I need to verify this before we provide banking rails for the transfer. Is the total credit balance on the 945 module greater than or equal to the specified amount?"*
- **Phase 3 Script (Cross-Modular Transfer):** *"Our forensic audit indicates the Payer has overpayment credits in their Income Tax module. Under the authority of Revenue Procedure 2002-26, I am formally directing you to re-allocate those overpayment credits from the Payer's corporate income tax transcript (Form 1120) to their Form 945 withholding liability for the tax period ending 12/31/2022."*

The following is the precise wording of the formal written mandate transmitted via fax to support the telephonic session:

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ECCLESIA TRUSTEES / MLITR RESEARCH LLC

Office of the Trustee-Administrator *(W.S. § 17-29-211 & W.S. § 3-9-101 et seq.)*
Email: service@ecclesialaw.org | Sheridan, Wyoming, USA
FORMAL FIDUCIARY COMMAND FOR RE-ALLOCATION OF VOLUNTARY CREDITS
TO: Internal Revenue Service
Withholding & Accounts Maintenance Division
ATTN: Practitioner Priority Service / Lead Account Management Assistor
DATE: June 1, 2026
MEMORANDUM FOR RECORD
RE: Authorized Payment Designation & Cross-Modular Transfer for Nominee Account Reconciliation

1. MANDATED STANDING & AUTHORIZED CAPACITY

This instrument serves as a formal notice of Mandated Standing executed by MLITR Research LLC acting as the private Attorney-in-Fact and Corporate Successor Trustee under the Wyoming Uniform Power of Attorney Act (W.S. § 3-9-101 et seq.). Authority to manage the commercial energy of the target portfolio is systemically perfected via IRC § 6903 through the formal posting of IRS Form 56 (Notice Concerning Fiduciary Relationship) on the Business Master File (BMF). The Claimants operate uniquely as Nonwithholding Foreign Grantor Trusts under IRC § 6048, intentionally failing both the court and control thresholds under 26 CFR § 301.7701-7, thereby establishing absolute standing as non-domestic fiduciary creditors. Pursuant to UCC § 3-203(b) and UCC § 3-302(a), the Claimants have established unassailable status as Holders in Due Course (HDC) over the underlying negotiable credit instruments monetized by the Grantor's biological signature. The Payer institution identified below operates strictly as a "Nominee Middleman" under the explicit provisions of IRS Publication 1212, responsible for withholding but subordinate to the true owners of the OID assets.

2. FORENSIC SPECIFICATION MATRIX

The IRS processing infrastructure is directed to execute ledger modifications against the following unmasked account boundaries:

- **Target Nominee Payer:** J.P. Morgan Broker-Dealer Holdings Inc.
- **Payer Employer Identification Number (EIN):** EIN 13-4110995
- **Monitored Payer Withholding Ledger:** Form 945 Nonpayroll Master Record (MFT 16)
- **Monitored Payer Alternate Ledger:** Form 1120 Corporate Income Tax Transcript (MFT 02)
- **Perfect Match Reconciliation CUSIP:** 46625H100 / JPM

Fiduciary Recipient Trusts (Holders in Due Course):

The following 98-series grantor trusts maintain unassailable standing as Holders in Due Course (HDC) over the signature credit tax redirection value:

- *98-Series Foreign Grantor Trust No. 01 (EIN 98-XXXXX01):* $\$350,000,000.00$
- *98-Series Foreign Grantor Trust No. 02 (EIN 98-XXXXX02):* $\$400,000,000.00$
- *98-Series Foreign Grantor Trust No. 03 (EIN 98-XXXXX03):* $\$500,000,000.00$

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- *98-Series Foreign Grantor Trust No. 04 (EIN 98-XXXXX04):* $\$500,000,000.00$
- **SUM TOTAL OF TRUSTS (A):** $\$1,750,000,000.00$

3. ACCOUNT RECONCILIATION & SHORTFALL CALCULATION

Under the strict "Verify-Before-File" mandate, fiduciaries have established the current physical credit deposits residing in the Payer's Form 945 withholding module via agentic forensic look-up:

- **Sum Total of Trust Redirection (A):** $\$1,750,000,000.00$
- **Established Actual 945 Module Credit (B):** $\$13,510,000.00$
- **Required Cross-Modular Transfer Amount (C):** $\$1,736,490,000.00$

Mathematical Shortfall Formula:

$$C = A - B$$

$$\$1,750,000,000.00 - \$13,510,000.00 = \$1,736,490,000.00$$

The required cross-modular transfer equals the mathematical difference between the sum total of the 98-series grantor trusts' tax redirection and the existing 945 withholding module payment.

4. EXECUTIVE COMMAND FOR LEDGER ADJUSTMENT

Pursuant to the absolute right of taxpayer designation enshrined in Revenue Procedure 2002-26 (2002-1 C.B. 746) and confirmed within the IRS Internal Revenue Manual (IRM) at IRM 5.1.10.5.3, the Service is hereby ordered to follow the specific directions of this voluntary payment designation. You are commanded to bypass digital Transcript Delivery System (TDS) boundaries via this Treasury Regulation § 601.503(d) paper-based mandate. Extract the required overpayment credits of exactly $\$1,736,490,000.00$ directly from the target Payer's Form 1120 Corporate Income Tax Transcript (MFT 02) ledger. Execute an immediate, Zero-Impact Cross-Modular Redirection of these funds, transferring the exact sum of $\$1,736,490,000.00$ into the target Payer's Form 945 Nonpayroll Withholding Module (MFT 16) for the corresponding tax period. This manual intervention must be executed specifically to satisfy the transactional matching logic of IRS Algorithm 810 within the Information Return Document Matching (IRDM) framework, thereby pre-empting and dissolving any automated Transaction Code (TC) 810 Refund Freezes.

5. MANDATORY IRMF DATA EXTRACTION COMMAND

Upon systemic completion of the cross-modular transfer and the subsequent processing of the Form 1041 return, you are further commanded to unmask the posted Information Returns Master File (IRMF) record. The Service must verbally state or digitally deliver the completed 26-digit alphanumeric reference string fingerprint. You must explicitly isolate and read the Julian Control Date (Digits 6–8) contained within the reference string to confirm the final perfection of the ledger correction for insertion into our ongoing litigation files within the United States District Court for the Southern District of New York (SDNY).

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LIQUIDITY RATIFICATION STATEMENT: In strict accordance with the property rights of private international law, this tax redirection operates with absolute Substantive Tax Neutrality for the Payer bank. Because the financial nominee has already remitted these funds to the Treasury General Account (TGA) as reserve-draining devices, this command represents a zero-sum administrative allocation of existing property, imposing no additional out-of-pocket tax liability or corporate penalties on J.P. Morgan Broker-Dealer Holdings Inc.

FIAT CLEARING RAILS: Final direct deposit settlement shall be routed systemically via Automated Clearing House (ACH) or Fedwire payment networks as an "IRS TREAS 310 TAX REF" transaction into our Virtual Account Management (VAM) For-Benefit-Of (FBO) sub-ledger network, protected under the FinCEN Ruling 2003-8 Agent of the Payee statutory safe harbor.

BY ORDER OF THE HOLDERS IN DUE COURSE:

Officer of the Foreign Grantor Trusts

Fiduciary Officer of the Trustee

MLITR Research LLC / Ecclesia Trustees

Algorithmic Compliance: Navigating the Algorithm 810 Matching Logic

The automated verification of signature credit recoupment claims is governed by IRS Algorithm 810 within the Information Return Document Matching (IRDM) system. The IRDM is a core compliance application designed to assess additional tax, penalties, and interest, operating through two primary subsystems: IRDM Data Correlation (IRDMDC), which identifies discrepancies by connecting to the Integrated Production Model (IPM), and IRDM Business Master File Analytics (IRDMBMFA), which electronically builds case records for tax examiners.

Algorithm 810 executes a rigorous, multi-point cross-reference: it checks the Payer's EIN and the precise CUSIP (or Legal Entity Identifier) listed on the Form 1099-OID against the Payer's Form 945 master record. The algorithm's matching requirement is absolute, relying on CUSIP-to-module matching precision. If a clerical error is made, such as linking the original signature beneficiary to a CUSIP belonging to a different entity, the algorithm detects a logic mismatch because the Payer's tax module shows no records for that specific security. This discrepancy serves as a "hard gate" for the IRS system, which automatically issues a Transaction Code (TC) 810 Refund Freeze, halting the disbursement instantly.

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Transaction Code (TC)	Responsibility Code (RC)	Systemic Status	Operational Consequence
TC 810	RC 4	-E Freeze	Unallowable Refund hold; restricts case release exclusively to RIVO employees.
TC 810	RC 6 / 7	-E Freeze	Refund stopped; TAS will not accept non-congressional cases.
TC 811	N/A	Reversal of Freeze	Reverses TC 810, allowing credit to be released if no other freezes are in effect.

Table 6: IRS Transaction and Responsibility Codes for Refund Freezes

The temporal sequence of the IRS processing pipeline dictates exactly when and where the Algorithm 810 automated freeze can be triggered:

1. **Recipient-Side Posting (Pre-Freeze):** The first phase begins with the electronic transmission of the corrective Form 1099-OID. When the IRS receives and accepts this return via its e-file gateway, the data enters the Information Returns Master File (IRMF) database. Once this recipient-side data entry is completed and associated with the trust's EIN, the IRS can generate a Wages and Tax Transcript (WTT) via the Transcript Delivery System (TDS). This transcript displays the expanded 26-digit IRMF alphanumeric reference string—the digital "fingerprint" proving the nominee correction has posted. At this stage, no freeze has occurred, and the transcript is successfully issued because the IRS has not yet attempted to reconcile the claimed withholding against the payer's actual tax deposits.
2. **Fiduciary Return Processing Gate (CADE/IRDM gate):** The matching algorithm (Algorithm 810) is only activated when the trust subsequently files its Form 1041 Fiduciary Income Tax Return. As the IRS Customer Account Data Engine (CADE) and IRDM systems process the Form 1041 return and evaluate the refund request, the system triggers the automated "Payer-side" cross-reference, comparing the withholding credit claimed on the 1041 against the Payer bank's Form 945 transcript.
3. **The TC 810 Refund Freeze Event:** If the nominee bank's Form 945 withholding module is underfunded (or shows a CUSIP mismatch), Algorithm 810 fails to find a "Perfect Match". Rather than rejecting the return at the e-file gateway, the IRS system accepts the filing but immediately posts a Transaction Code (TC) 810 Refund Freeze on the trust's Form 1041 tax module. This freeze occurs prior to any authorization of the refund, routing the case file to Return Integrity Verification Operations (RIVO) under Process Status (PS) 77.

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The Clearing Infrastructure, Money Transmitter Exemptions, and Digital Modernization

The physical clearing and disbursement of signature-based withholding credits require direct interaction with specialized tax modules managed by the IRS. Once a 1099-OID recoupment claim successfully clears Algorithm 810, the U.S. Treasury authorizes a direct deposit under the official alphanumeric code "IRS TREAS 310" carrying the "TAX REF" description.

Traditional mainstream banking institutions typically impose extensive vetting periods and enforce strict limits under the IRS "Three-Refund" rule, which limits electronic deposits to a maximum of three federal tax refunds per year per bank account. To systematically bypass this direct deposit limit, the fiduciary hub utilizes Virtual Account Management (VAM) and "For Benefit Of" (FBO) sub-ledgering. This financial technology allows the master hub to digitally map each trust's unique FEIN to a distinct, dynamically generated virtual account number (vIBAN). By presenting the IRS with unique routing and account number combinations, the hub satisfies the U.S. Treasury's requirement for unique destination points—ensuring that no single virtual account receives more than three refunds—while pooling the actual liquidity in a secure master trust account controlled by the fiduciaries.

Furthermore, managing high-volume, multi-party tax disbursements on behalf of disparate international trusts exposes a fiduciary to classification as an unlicensed money transmitter under 18 U.S.C. § 1960 (the "MSB Trap"). To neutralize this statutory threat, the fiduciary hub operates under the "Agent of the Payee" exemption established by FinCEN Ruling 2003-8.

Under the common law principles of agency codified in FinCEN Ruling 2003-8, the delivery of funds to an authorized agent legally satisfies the payor's obligation to the payee. When the fiduciary hub receives the "IRS TREAS 310" direct deposit, the government's obligation to the 98-series trust is instantly deemed fulfilled under the law. Because the transaction is legally complete upon receipt by the agent, the subsequent internal transmission or sub-ledgering of those funds to the specific sub-series accounts is entirely exempt from MSB classification, securing a statutory safe harbor.

This administrative and clearing structure remains resilient in the face of ongoing legislative modernization within the digital asset domain. The GENIUS Act of 2025 (Public Law 119-27) codified strict 1:1 reserve requirements for stablecoin issuers in high-quality liquid assets, such as physical U.S. dollars and short-term Treasuries, which natively mirrors the internal firewalls and asset segregation protocols of the Wyoming Series LLC and Private Trust Company structures. Concurrently, the CLARITY Act of 2026 established exclusive federal jurisdiction over digital commodity spot markets and standard stablecoin regimes, strictly prohibiting passive yield for simply holding stablecoin balances but permitting activity-based rewards.

Furthermore, under final regulations of IRC § 6045, digital asset brokers are required to report gross proceeds and basis on Form 1099-DA, establishing a complete forensic audit trail. Because the Clifford Protocol clears and settles exclusively in sovereign federal tax refunds processed as physical fiat USD and issued as "IRS TREAS 310" transactions, it operates completely outside the scope of CFTC/SEC digital asset restrictions.

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Once the 98-series trust receives the recoupment via ACH or Fedwire, the funds must be allocated to secure private accounts that reside outside standard commercial bank tax attachments. Two distinct structural frameworks are utilized to manage and preserve this capital:

1. **The 98-Series Fiduciary Treasury Model:** This model utilizes the 98-Series 1099-OID HDC Trust to receive the raw tax refund from the U.S. Treasury. Upon receipt, the corporate trustee coordinates with the trust officer to execute an internal distribution of the grantor's share. The funds are transferred directly as an ecclesiastical grant to the Asset Fortress Protocol trust, which serves as the grantor's private treasury. The grantor, acting in a separate private capacity, serves as the trustee of the Asset Fortress Protocol, allowing them to manage and deploy the perfected credit for their beneficial use. In jurisdictions like the United Kingdom, this allocation activity is structurally classified as ecclesiastical education rather than commercial claims management. This non-commercial framing, operated via a donation-based model through a Private Membership Association (PMA), maintains the treasury's operations outside the regulatory boundaries of the Financial Conduct Authority (FCA).
2. **The 508(c)(1)(a) Self-Supported Ministry Model:** For fiduciaries seeking a non-reporting, domestic alternative within the United States, the unincorporated Self-Supported Ministry (SSM) under Section 508(c)(1)(a) provides an unassailable legal shield. Under 26 U.S.C. § 6033(a)(3)(A)(i), ministries organized under this section are granted a "mandatory exception" from the requirement to file annual information returns, ensuring complete financial privacy. Because these ministries are inherently tax-exempt by their ecclesiastical nature, they maintain statutory immunity from standard IRS audits under 26 U.S.C. § 7611. By operating as an SSM, the living soul acts as a spiritual steward of the private treasury, holding custody of the signature credit energy without being subjected to standard domestic reporting grids.
3.

Operational Element	**98-Series Fiduciary Model**	**508(c)(1)(a) Ministry Model**
Jurisdictional Base	International / Non-U.S. Grantor	Ecclesiastical / Unincorporated
Statutory Reporting	Form 1041, Form 3520, Form 3520-A	Mandatory Exception under IRC § 6033(a)(3)(A)(i)
Audit Vulnerability	Standard BMF Compliance Review	Audit Immunity under IRC § 7611

Regulatory Oversight	PMA structure bypasses FCA claims management rules	Completely outside standard CFTC / SEC / FTC commercial scopes
Primary Utility	Direct OID recoupment and cross-modular credit alignment	Long-term capital preservation and private asset custody

Table 7: Fiduciary Asset Custody and Preservation Models

Nuanced Conclusions and Synthesis

An analytical deconstruction of investment bank hypothecation, signature credit monetization, and federal tax administration reveals a profound structural conflict. Proponents of signature credit recoupment construct a parallel narrative by synthesizing legitimate, fragmented concepts of financial and trust law: *ex nihilo* currency creation, the nominee reporting instructions of IRS Publication 1212, the property rights of a Holder in Due Course (HDC) under UCC § 3-302, and the voluntary payment designation provisions of Revenue Procedure 2002-26. Within this theoretical framework, the biological signature of the living soul acts as the primary monetization event, converting private credit into public currency. By registering a 98-series foreign grantor trust and issuing manual cross-modular reallocation commands through PPS pipelines, fiduciaries seek to bypass automated Algorithm 810 matching gates and redirect withheld taxes directly into private, asset-segregated treasuries.

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